

Commonwealth of Massachusetts
Department of Telecommunications and Energy
Fitchburg Gas and Electric Light Company
Docket No. D.T.E. 02-24/25
Record Request Response

Record Request No.: DOER-RR-2

Please provide the costs associated with the Customer Information System, Supplier Interface and Regulatory-Compliance Activities. Please show these costs relative to the overall cost of service.

Response:

The cost of the Customer Information System of \$1,144,086 and Supplier Interface (LERS/ Logica) of \$374,510 are included in Utility Plant in service in the test year. The annual amortization expense of these assets is \$175,876 for the Electric Division and \$87,095 for the Gas Division. (DTE 1-12 (Gas) and DTE-7-32 (Electric)).

Unlike the above software costs, the costs related to Regulatory Activities are incurred and expensed by FG&E annually. In an attempt to quantify the annual cost of Regulatory Compliance Activities, FG&E has identified and quantified the legal services and assistance charged for regulatory related activities. During the test year, the costs of legal services for regulatory related activities (excluding the costs of \$195,864 for DTE 99-66 Gas Inventory Financing) amounted to a total of \$297,179. Of this total test year regulatory related legal costs, \$176,393 related to the Electric Division and \$120,786 related to the Gas Division.

The total of the CIS, Supplier Interface and Regulatory-Compliance costs is \$352,269 for the Electric Division and \$207,881 for the Gas Division. Relating these actual costs to the overall cost of service would be misrepresentative, because the overall cost of service is a fully proformed presentation. This presentation includes items such as the proposed return on common equity and proposed depreciation rates, which are not yet approved costs. The better relation is to the total of test year actual Other O&M Expense, Depreciation and Taxes Other Than Income. This relation is 3.4% for the Electric Division, 2.6% for the Gas Division, and 3.1 % for the two divisions in total. Calculation of the 3.4% is \$352,269/\$10,407,714 (Schedule MHC-3 (Electric), line 6, per Books column). Calculation of the 2.6% is \$207,881/\$7,937,579 (Schedule MHC-3 (Gas) per Books column, line 6 minus line 1).

Person Responsible: Mark H. Collin